John Thomas Financial
14 Wall Street, 5th Floor
New York, New York 10005
wskaufman@johnthomasbd.com
www.kaufmanreport.com

The Kaufman Report

Trade what you see, not what you think.

Wayne S. Kaufman, CMT
Chief Market Analyst
(800) 257-1537 Toll Free
(212) 299-7838 Direct

Thursday May 29, 2008 **Closing prices of May 28, 2008**

On May 21st the bearish rising wedge pattern we had been highlighting was finally resolved with a downside break, which accelerated that afternoon and caused the index to close below its 20-day moving average for the first time since April 14th. We said at the time the move down could find a stopping point at the 310 – 311 area (1370 area S&P 500) which is the 38.2% Fibonacci retracement of the rally from the March low to the May 19th high. The 50% retracement is the 306 area (1348 area S&P 500).

Since breaking down out of the rising bearish wedge volume has been below average. Three of the four trading days since the trend line break have been up days, with the one down day having the lowest volume of the four. So, other than the actual day of the break, sellers have not been aggressive.

We remain concerned about spreads between earnings yields and bond yields. The spread between the earnings yield based on the current P/E has narrowed to the smallest level since July 19, 2007, just before a sharp drop in equities. The spread based on the forward P/E is the smallest since January 3, 2008.

Sentiment, based on our proprietary options indicator, is slightly negative. We are in a period where seasonality is positive until early June. Therefore, we do not believe there is a lot of down side in the near-term, and there may be some more to go in the current bounce. However, until it is proven that the market can resume its recent short and intermediate-term uptrend with broad participation, we are back to calling this a bifurcated, opportunistic trader's market, with adept traders able to take advantage long or short.

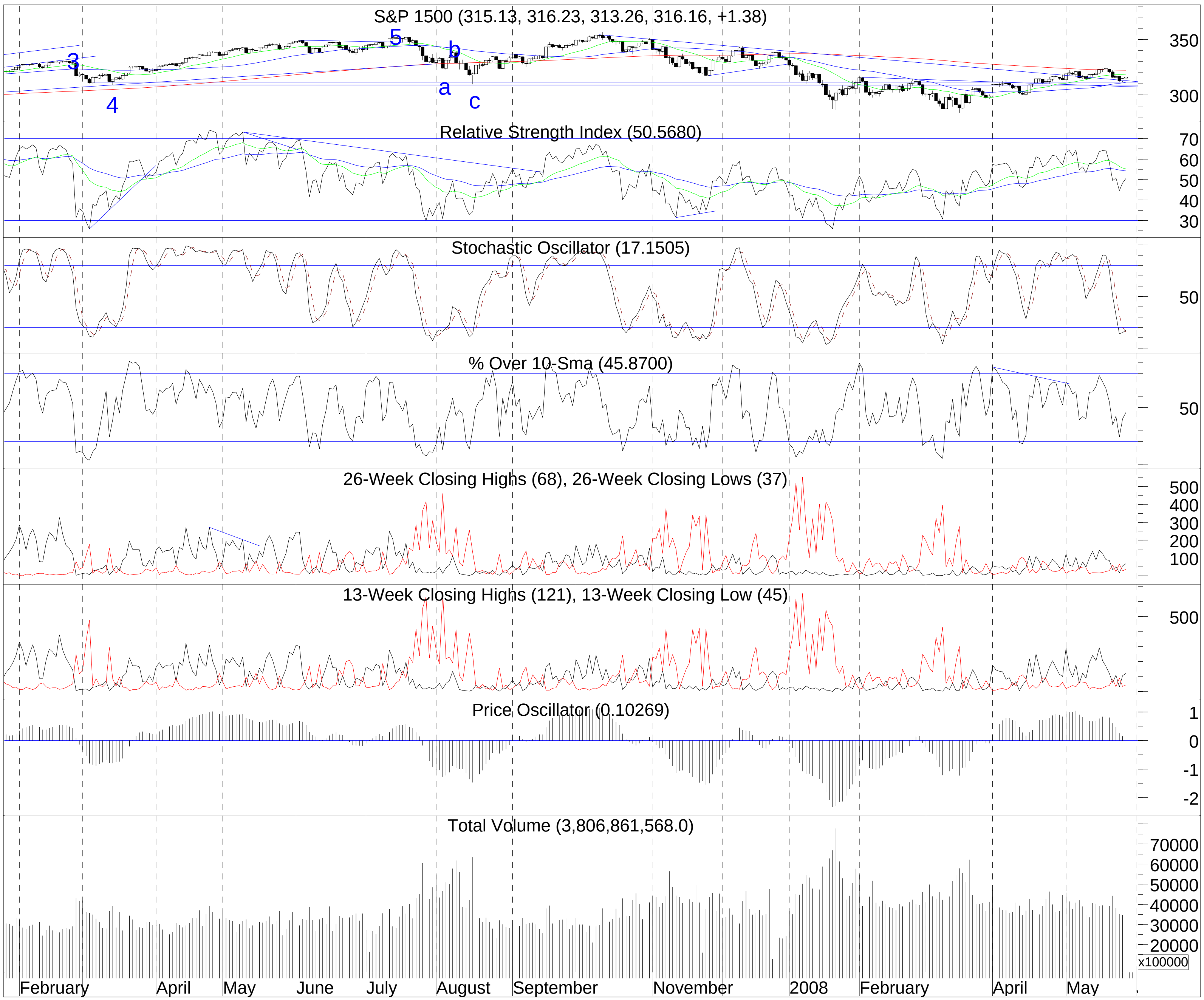
Federal Funds futures are pricing in an 90% probability that the Fed will *leave rates at 2.00%,* and a 10% probability of *cutting another 25 basis points to 1.75* when they meet again on June 25th.

The S&P 1500 (312.53) was up 0.438% Wednesday. Average price per share was up 0.65%. Volume was 99% of its 10-day average and 96% of its 30-day average. 58.29% of the S&P 1500 stocks were up on the day. Up Dollars was 138% of its 10-day moving average and Down Dollars was 39% of its 10-day moving average.

Options expire June 20th. The FOMC meets June 25th.

IMPORTANT DISCLOSURES

S&P 1500 Analysis - Wayne S. Kaufman, CMT



The S&P 1500 has bounced after getting near over-sold levels. Some resistance is just above.

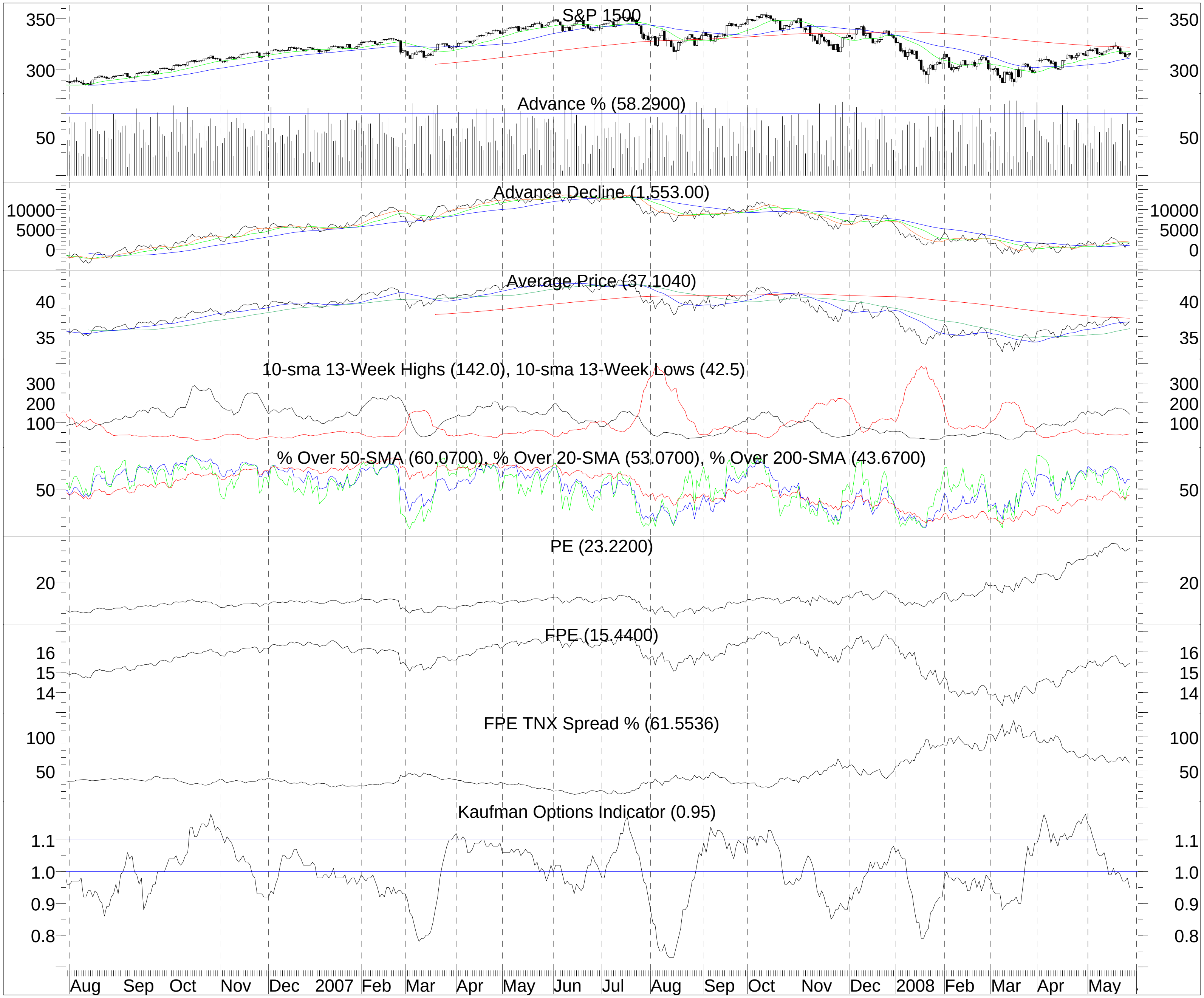
Our oscillators are still at low levels.

Our price oscillator is just barely positive.

Volume was increasing but below average Thursday.

After breaking down out of the bearish rising wedge the S&P 1500 is still above the 50-sma (blue) but under the 20-sma (green).

S&P 1500 Analysis - Wayne S. Kaufman, CMT



The Kaufman Report - 5/28/2008

Only 58.29% of stocks traded higher Wednesday.

Our proprietary options indicator is in negative territory, which should prevent any further pull back from being too deep.